ILMN Q4 & Fiscal Year 2022 Earnings Call
Prepared Remarks – February 7, 2023

Salli Schwartz, ***Vice President, Investor Relations***

Hello everyone, and welcome to our earnings call for the fourth quarter and year end 2022.

During the call today, we will review the financial results released after the close of the market, and offer commentary on our commercial activity, after which we will host a question and answer session. If you have not had a chance to review the earnings release, it can be found in the Investor Relations section of our website at illumina.com.

Participating for Illumina today will be Francis deSouza, President and Chief Executive Officer, and Joydeep Goswami, Chief Financial Officer and Chief Strategy and Corporate Development Officer. Francis will provide an update on the state of Illumina's business and Joydeep will review our financial results which include GRAIL.

As a reminder, GRAIL must be held and operated separately and independently from Illumina pursuant to the interim measures ordered by the European Commission, which prohibited our acquisition of GRAIL under the EU Merger Regulation.

This call is being recorded and the audio portion will be archived in the Investor section of our website. It is our intent that all forward-looking statements regarding our financial results and commercial activity made during today's call will be protected under the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are subject to risks and uncertainties. Actual events or results may differ materially from those projected or discussed. All forward-looking statements are based upon current available information, and Illumina assumes no obligation to update these statements.

To better understand the risks and uncertainties that could cause actual results to differ, we refer you to the documents that Illumina files with the Securities and Exchange Commission, including Illumina's most recent forms 10-Q and 10-K.

With that, I will now turn the call over to Francis.

Francis deSouza, ***President & Chief Executive Officer***

Thank you, Salli. Good afternoon, everyone.

2023 is off to an exciting start for Illumina and for genomics, and I'm pleased to announce that we've started shipping the first NovaSeq X Plus systems to customers. Later in my remarks, I'll share how we're scaling `our manufacturing and distribution infrastructure to ship 40 to 50 units in Q1, and over 300 units for the year.

First, I'll cover our financial results for both the fourth quarter and full year 2022.

Illumina delivered fourth quarter revenue of approximately $1.1 billion and full year 2022 revenue of approximately $4.6 billion, in line with the upper end of our revised guidance range. We placed more than 3,200 instruments in 2022, increasing our installed base to approximately 23,000 instruments worldwide.

Delving now into each of our platforms, starting with high-throughput:

We've had a fantastic customer response to the NovaSeq X Series launch. Both orders and the advanced pipeline continue to grow. There is strong global interest, with orders from more than 25 countries, four times more than in the first quarter of the NovaSeq 6000 launch.

We're also seeing stronger-than-expected clinical adoption and orders from new-to-high throughput customers, who are bringing sequencing in-house due to NovaSeq X's ease of use and cost benefits.

The NovaSeq X has had the strongest preorder book of any Illumina instrument launch, and this demand will catalyze a multi-year upgrade cycle.

We also shipped more than 340 NovaSeq 6000s in 2022, with more than one-third of those instruments for oncology testing and nearly half to new-to-high throughput or new-to-Illumina customers.

Placements were strong in the first half of 2022, even after a record 2021. Second half placements were tempered by growing customer excitement for the NovaSeq X series. Across 2022, average consumable pull-through for the NovaSeq 6000 was approximately $1 million per instrument.

Moving to mid-throughput, in 2022 we shipped a record 1,215 instruments and saw the fourth consecutive record year for NextSeq shipments. The fourth quarter of 2022 was also the highest quarter on record for NextSeq 1k/2k shipments. Customers appreciate NextSeq 1k/2k's unique capabilities as the only mid-throughput sequencer with built-in analysis, and the first mid-throughput instrument to include the 2x300 kits. Close to 25% of NextSeq 1k/2k units in 2022 were placed with new-to-Illumina customers.

For low throughput, in 2022, we shipped approximately 1,670 instruments, bringing nearly 700 new customers to Illumina. Our low throughput instruments consistently open new geographies and applications while serving as an effective entry point to sequencing.

Shifting to our markets…

Our Clinical markets currently include testing for oncology, reproductive health, and genetic disease. In 2022, shipments to Clinical customers represented 45% of Core Illumina consumables.

For 2022, oncology testing consumables grew 7% year-over-year from utilization of NGS-based molecular profiling across early detection, therapy selection, and minimal residual disease. We see expanding opportunities for our oncology products globally. For our TruSight Oncology 500 distributed therapy selection assay, sample volume grew approximately 60% year-over-year across more than 500 accounts, and for 2023 we expect more than $100 million in revenue for TSO 500.

Also in oncology, GRAIL continues to have strong demand from consumers, physicians, health systems, and payers. Galleri is the only multi cancer early detection test in a $40-plus billion market, and it had the fastest first-year revenue ramp in cancer screening test history. GRAIL has established over 60 partnerships with leading health systems, self-insured employers, and other healthcare stakeholders. In 2022 alone, more than 4,500 providers ordered the test, contributing to the more than 60,000 Galleri test orders that have been received to date.

The Galleri test has received FDA breakthrough designation and was recognized by TIME as one of The Best Inventions of 2022; by The Atlantic as one of the Breakthroughs of the Year; and by Fast Company as one of the World Changing Ideas of 2022. Galleri was also featured in an AARP Health story on "game-changing" medical breakthroughs improving lives today.

GRAIL expects this exciting momentum to continue, and to translate into an expected revenue CAGR of 60% to 90% over the next five years.

Beyond oncology, Genetic Disease Testing had a record quarter in Q4 and another strong year in 2022. For 2022, GDT consumables shipments grew 11% year over year, driven by broader adoption of whole genome sequencing globally and increased demand for rare disease treatment. We also saw additional evidence generation, with the European Society of Human Genetics updating its guidelines to recommend increased adoption of whole genome sequencing in diagnostics, as well as increased coverage for rare and undiagnosed genetic diseases.

Recently, two of the largest health insurance companies in the US, based on the number of patients served, announced that whole genome sequencing will be covered for patients with rare and undiagnosed genetic diseases starting this quarter. And AIM Specialty Health – which provides lab benefits management services for more than a dozen regional health plans in the U.S. – now considers comprehensive genomic profiling medically necessary for appropriate patients with advanced cancers. Tens of millions more Americans will be covered – a huge win for patients, for our customers, and for Illumina.

Turning to our Research and Applied markets, consumables shipments represented 55% of Core Illumina consumables in 2022.

Boosting the diversity in genetic databases is a significant need for our customers as they work to understand the underlying causes of disease. Genomics combined with clinical information can increase drug discovery success by up to 150% and reduce costs by up to 50%. To achieve this, we need more samples over time, and from more diverse populations.

We recently announced an agreement with Amgen and its subsidiary deCODE Genetics to sequence the first 35,000 genomes in our collaboration with Nashville Biosciences. This sample cohort will represent the largest data set of African Americans to date as we aim to accelerate equitable access to precision health therapies, and they've already begun sequencing the first samples.

Moving now to 2023, we are excited for this launch year and have now started shipping NovaSeq X Plus systems to our first customers. We are on track to ship 40 to 50 NovaSeq X instruments in Q1, and more than 300 instruments in 2023.

To accomplish this, we've boosted our operational capabilities. We've built state-of-the-art consumables manufacturing facilities in the UK, Singapore, and San Diego, adding nine new production lines. At launch, we already have two to three months of inventory for each of the six core consumable SKUs.

In our instrument manufacturing facility in Hayward, we are fully staffed and ramping up production and capacity. Right now there are more than 60 NovaSeq X instruments in various stages of the production process. All primary and secondary sequencing metrics are meeting or exceeding specifications.

In addition, we've taken steps to ensure our supply chain is strong. We began adding and onboarding new suppliers two years ago to secure the material and component supply fueling NovaSeq X production.

We are also equipping our global commercial team to guide our customers as they receive their first NovaSeq X shipments. In January, we brought together more than 800 sales team members in a three-day training session, giving them new tools and insights to support customers as they accelerate genomics worldwide with this powerful new instrument. The team is energized to bring these new capabilities to market and excited to see the outcome of years of preparation. We are confident that our organization's scale, reach, and experience will enable our customers to sequence more samples, run more analyses, and obtain more data than ever before. As NovaSeq X unlocks greater elasticity, we expect average pull-through for the X to comfortably exceed NovaSeq 6000's over time.

Illumina will remain focused on supporting our valued customers with transformative innovations and continue to advance our roadmap to accelerate the genome era.

Customers' interest worldwide continues to be very strong, and they are eager to harness the capabilities of the X – the most powerful, most sustainable, and most cost-effective sequencer ever developed – to further unlock the power of the genome. You'll hear more about the customer experience and data at AGBT this week.

Now, before I turn the call over to Joydeep, I'd like to thank him and welcome him to the role as Illumina's Chief Financial Officer. With over 2 decades experience in the industry, Joydeep brings strategic expertise, deep industry knowledge, and extensive global business experience to the role. He is a proven and disciplined leader with a strong track record of creating value, and an ideal partner to help drive the next phase of Illumina's growth.

I'll now turn the call over to Joydeep for more detail on the quarter and our full-year outlook.

Joydeep Goswami, ***Chief Financial Officer, Chief Strategy and Corporate Development Officer***

Thank you, Francis, and thanks for the kind introduction. I am excited to step into the role on a permanent basis and continue to work with all of you.

I'll start by reviewing our consolidated financial results, followed by segment results for Core Illumina and GRAIL, then conclude with additional remarks on our current outlook for 2023. I will be discussing non-GAAP results which include stock-based compensation. I encourage you to review the GAAP reconciliation of these non-GAAP measures which can be found in today's release and in supplementary data available on our website.

In the fourth quarter, consolidated revenue was $1.08 billion, down 10% year-over-year, or down 7% on a constant currency basis, net of the effects of hedging.

Non-GAAP earnings were $22 million, or $0.14 per diluted share, including dilution from GRAIL's non-GAAP operating loss of $159 million for the quarter. Non-GAAP earnings per share was lower than expected due to approximately $87 million in incremental tax expense from the R&D capitalization requirements that were not repealed in Q4 2022, despite broad bipartisan support. The incremental tax expense includes approximately $80 million recorded in Q1 through Q3 that was ultimately not reversed in Q4.

Our non-GAAP tax rate was 29.3% for the quarter and 26.0% for the full year 2022, which increased from 15.6% in Q4 2021 and 17.3% in fiscal year 2021, primarily due to the impact of R&D capitalization requirements.

Our non-GAAP weighted average diluted share count for the quarter was approximately 158 million.

Moving to segment results, I will start by discussing the financial results of Core Illumina:

Core Illumina revenue of $1.07 billion was down 11% year-over-year, or down 8% on a constant currency basis, net of the effects of hedging.

Core Illumina sequencing consumables revenue of $687 million was down 13% year-over-year. As expected, growth driven by pull-through on the increased installed base was offset by delayed recruitment for some large research projects in the Americas and Europe, the ongoing impact of COVID disruptions in China, the year-over-year impact of customer inventory management, the anticipated decrease in COVID surveillance revenue, and headwinds from foreign exchange rates.

Sequencing instruments revenue for Core Illumina declined 24% year-over-year to $146 million, driven primarily by lower NovaSeq 6000 shipments in advance of the availability of NovaSeq X. The decline was partially offset by another quarter of record NextSeq 1K/2K shipments, which grew 31% year-over-year as we continue to see strong adoption by new-to-Illumina customers and demand for our new 2x300 kits that bring longer read capabilities to our mid-throughput platform for the first time.

During the fourth quarter, COVID surveillance contributed approximately $20 million in total revenue, comprised of $19 million in sequencing consumables and $1 million in sequencing instruments. This was in line with our expectations and down $30 million year-over-year, driven primarily by lower sample volumes.

Core Illumina sequencing service and other revenue of $131 million was up 24% year-over-year, driven primarily by higher instrument service contract revenue on a growing installed base, as well as an increase in oncology and IVD partnership revenue.

Moving to regional results for Core Illumina:

Revenue for the Americas was $577 million, down 7% year-over-year, and EMEA revenue of $301 million represented a 14% decrease year-over-year, or a 10% decrease on a constant currency basis. As expected, the base business for both regions was impacted by anticipation for NovaSeq X, and the slowdown in COVID surveillance and Research I mentioned earlier. We continued to see strong demand for NextSeq 1K/2K, with record instrument shipments in the Americas up nearly 50% year-over-year, driven by strength across both Research and Clinical. In addition, NovaSeqDx shipments exceeded expectations in the first quarter of launch, with strong early demand by clinical customers in Europe.

Greater China revenue of $94 million represented a 22% decrease year-over-year, or a 14% decrease on a constant currency basis. The region continued to be impacted by COVID lockdowns that resulted in lower sample volumes year-over-year. We continue to expect our business in China to be impacted by headwinds from COVID-related disruptions, exchange rates, and slowing GDP growth in the region, at least through the first half of 2023.

Finally, APJ revenue of $93 million declined 10% year-over-year, or 4% on a constant currency basis, net of the effects of hedges. Strong growth across clinical markets was more than offset by the conclusion of a large research project in Japan, and delayed high throughput instrument purchases due to introduction of NovaSeq X.

Moving to the rest of the Core Illumina P&L:

Core Illumina non-GAAP gross margin of 67.3% decreased 430 basis points year-over-year, primarily due to less fixed cost leverage on lower manufacturing volumes.

Core Illumina non-GAAP operating expenses of $528 million were down $52 million year-over-year primarily due to cost containment initiatives, lower performance-based compensation expense, and a one-time partnership related expense in Q4 2021.

Transitioning to the financial results for GRAIL:

GRAIL revenue of $23 million for the quarter grew 130% year-over-year driven primarily by accelerating adoption of Galleri, as well as higher contributions from MRD pharma partnerships due to a milestone payment in Q4 2022 that GRAIL does not expect to repeat in Q1 2023. GRAIL non-GAAP operating expenses totaled $166 million, and increased $35 million year-over-year driven primarily by continued investments in clinical trials and to scale GRAIL's commercial organization.

Moving to consolidated cash flow and balance sheet items:

- Cash flow provided by operations was $147 million;
- Fourth quarter 2022 capital expenditures were $88 million and free cash flow was $59 million;
- We did not repurchase any common stock in the quarter.

We ended the quarter with approximately $2 billion in cash, cash equivalents and short-term investments. Cash as of the close of the quarter included $991 million in net proceeds from the term notes issued on December 13, 2022, which will be used to repay upcoming debt maturities in 2023.

Moving now to 2023 guidance:

We expect full year 2023 consolidated revenue to grow 7% – 10% to approximately $4.90 - $5.04 billion. We expect full year 2023 Core Illumina revenue to grow 6% – 9% to approximately $4.83 - $4.96 billion. These ranges include an anticipated headwind from COVID surveillance of approximately 200 basis points as well as a year-over-year headwind from foreign exchange rates.

We expect quarterly revenue to ramp sequentially throughout 2023, with linearity trends similar to what we saw in 2017 when we launched the NovaSeq 6000.

Grail is expected to deliver revenue in the range of $90 million to $110 million for 2023, reflecting year-over-year growth of 82% at the midpoint, driven by accelerating adoption of the Galleri test.

For fiscal 2023, at the midpoint of our revenue guidance range:

- We expect Core Illumina sequencing revenue to grow approximately 8% year-over year. This includes intercompany sales to Grail of approximately $35 million, which are eliminated in consolidation.

- We expect Core Illumina sequencing instrument growth of approximately 9% year-over-year driven by the NovaSeq X upgrade cycle and continued momentum in mid-throughput.

- We expect Core Illumina sequencing consumables growth of approximately 8% year-over-year primarily driven by the NovaSeq X launch, as customers build consumables inventory and ramp utilization, as well as continued growth in our mid-throughput consumables due to the growing installed base. This growth will be partially offset by further reduced Covid surveillance revenue.

- We expect annual pull-through for NovaSeq 6000 of approximately $900K to $1M per system in 2023, as customers transition to NovaSeq X. We expect pull through for NextSeq 1k/2k in the range of $120,000 to $170,000 per system in 2023, as the record instrument placements in 2022 and continued strong placements in 2023 are brought fully online. We expect the remainder of our pull-through ranges to be in line with historical guidance. We also expect revenue from COVID surveillance of approximately $30 million in 2023, which reflects a year-over-year headwind of $105 million, or approximately 2 percentage points.

We expect consolidated non-GAAP operating margin of approximately 8% and Core Illumina non-GAAP operating margin of approximately 22% for 2023. These margins reflect (1) an increase in Core Illumina operating expenses from 2022, primarily driven by normalization of our performance-based compensation, (2) a temporary decrease in gross margins as we launch the NovaSeq X, consistent with what we saw in 2017 when we launched NovaSeq 6000, and (3) an increase in GRAIL operating expenses due to ongoing investments to support the FDA application, NHS trial, and to continue to scale GRAIL's commercial organization.

We also expect a consolidated non-GAAP tax rate of approximately 36%, which includes an approximately $75 million impact from the R&D capitalization requirements. If these requirements are repealed in 2023, we expect our 2023 non-GAAP tax rate to be approximately 15%.

We expect consolidated non-GAAP earnings per diluted share in the range of $1.25 to $1.50, which includes dilution from GRAIL's non-GAAP operating loss of approximately $670 million.

And finally, we expect non-GAAP diluted shares outstanding for fiscal 2023 to be approximately 160 million shares.

For the first quarter of 2023:

We expect consolidated revenue in the range of $1.05 billion to $1.07 billion for Q1 2023, reflecting a sequential decrease of 212 basis points from Q4 2022 at the midpoint, primarily driven by:

- Historical seasonality of our core business due to year-end budget flushes not repeating in the first quarter, partially offset by an increase in high-throughput instrument shipments due to the launch of NovaSeq X in Q1; and

- A decrease in GRAIL revenue of approximately $5 million due to a milestone payment in Q4 2022

We expect quarterly revenue to grow sequentially throughout 2023 driven by a ramp in NovaSeq X shipments and utilization, recovery from COVID disruptions in China, accelerating adoption of Galleri, and an expected mitigation of macroeconomic headwinds in the second half of 2023.

For the first quarter, we expect consolidated non-GAAP operating margin of approximately 1% and Core Illumina non-GAAP operating margin of approximately 17%. We expect operating margins to improve throughout 2023 as revenue ramps and we scale our production of NovaSeq X and leverage the fixed cost of the manufacturing base.

We expect net other expense of approximately $9 million primarily due to interest expense on our new bond issuances.

Lastly, we expect non-GAAP diluted shares outstanding of approximately 160 million shares, in line with fiscal 2023.

I'll now hand the call back over to Francis for his final remarks**.**

Francis deSouza, ***President & Chief Executive Officer***

Thanks, Joydeep.

Illumina continues to prioritize innovation – we know our customers invest in our roadmap, not just our instruments. I talked about the NovaSeq X Series earlier; the X is a powerful catalyst for 2023 and beyond.

We also prioritize sustainability. NovaSeq X features a 90% reduction in packaging waste and weight and a 50% reduction in plastic usage compared to NovaSeq 6000. The enablement of ambient-temperature shipping of reagents will result in nearly 500 tons of dry ice savings per year, while significantly reducing waste streams for our customers. These improvements are game changers for our industry.

We are also excited to bring long-read capabilities to market through two upcoming products in our Illumina Complete Long Reads offering. Our long read human whole genome assay will be available in the first half of this year, while the enrichment panel will be available in the second half of the year. We recently announced that our enrichment panel will enable a comprehensive, high-accuracy, long-read view for as low as $600 per genome.

More than a dozen customers have evaluated data from their own samples using Illumina Complete Long Reads, and their feedback has been strongly positive. They find Illumina Complete Long Reads more convenient than other long read technologies and more straightforward with flexible input requirements. They are impressed with the data accuracy along with the read lengths and phase blocks that can be generated on Illumina sequencers.

Illumina Complete Long Reads and NovaSeq X will continue to evolve the genomics industry.

This year we will celebrate Illumina's 25th anniversary. Over this quarter-century, Illumina has remained at the forefront of a global genomics movement. And we're even more optimistic about the road ahead.

We're honored to be driving a global health transformation with our customers, and together we will seize the potential of the genome era.

I'll now invite the Operator to open the line for Q&A. Thank you.

Statement regarding use of non-GAAP financial measures

The company reports non-GAAP results for diluted earnings per share, net income, gross margin, operating expenses, including research and development expense, selling general and administrative expense, legal contingencies and settlement, and goodwill impairment, operating income (loss), operating margin, gross profit (loss), other income (expense), tax provision, constant currency revenue growth, and free cash flow (on a consolidated and, as applicable, segment basis for our Core Illumina and GRAIL segments) in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The company's financial measures under GAAP include substantial charges such as amortization of acquired intangible assets among others that are listed in the itemized reconciliations between GAAP and non-GAAP financial measures included in this press release, as well as the effects of currency translation. Management has excluded the effects of these items in non-GAAP measures to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measures related to our Core Illumina and GRAIL segments. Additionally, non-GAAP net income and diluted earnings per share are key components of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation.

The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Reconciliations between GAAP and non-GAAP results are presented in the tables of this release.

Use of forward-looking statements

This release may contain forward-looking statements that involve risks and uncertainties. Among the important factors to which our business is subject that could cause actual results to differ materially from those in any forward-looking statements are: (i) changes in the rate of growth in the markets we serve; (ii) the volume, timing and mix of customer orders among our products and services; (iii) our ability to adjust our operating expenses to align with our revenue expectations; (iv) our ability to manufacture robust instrumentation and consumables; (v) the success of products and services competitive with our own; (vi) challenges inherent in developing, manufacturing, and launching new products and services, including expanding or modifying manufacturing operations and reliance on third-party suppliers for critical components; (vii) the impact of recently launched or pre-announced products and services on existing products and services; (viii) our ability to further develop and commercialize our instruments, consumables, and products, including Galleri, the cancer screening test developed by GRAIL, to deploy new products, services, and applications, and to expand the markets for our technology platforms; (ix) the risks and costs associated with our ongoing inability to integrate GRAIL due to the interim measures imposed on us by the European Commission as a result of their prohibition of our acquisition of GRAIL; (x) the risks and costs associated with the integration of GRAIL's business if we are ultimately able to integrate GRAIL; (xi) the risk that disruptions from the consummation of our acquisition of GRAIL and associated legal or regulatory proceedings, including related appeals, or obligations will harm our business, including current plans and operations; (xii) the risk of incurring fines associated with the consummation of our acquisition of GRAIL and the possibility that we may be required to divest all or a portion of the assets or equity interests of GRAIL on terms that could be materially worse than the terms on which we acquired GRAIL; (xiii) our ability to obtain approval by third-party payors to reimburse patients for our products; (xiv) our ability to obtain regulatory clearance for our products from government agencies; (xv) our ability to successfully partner with other companies and organizations to develop new products, expand markets, and grow our business; (xvi) uncertainty, or adverse economic and business conditions, including as a result of slowing or uncertain economic growth, COVID-19 pandemic mitigation measures, or armed conflict; (xvii) the application of generally accepted accounting principles, which are highly complex and involve many subjective assumptions, estimates, and judgments and (xviii) legislative, regulatory and economic developments, together with other factors detailed in our filings with the Securities and Exchange Commission, including our most recent filings on Forms 10-K and 10-Q, or in information disclosed in public conference calls, the date and time of which are released beforehand. We undertake no obligation, and do not intend, to update these forward-looking statements, to review or confirm analysts' expectations, or to provide interim reports or updates on the progress of the current quarter.

Illumina, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions)
(unaudited)

	Three Months Ended		Year Ended	
	January 1, 2023	January 2, 2022	January 1, 2023	January 2, 2022
Net cash provided by operating activities	**$ 147**	$ 282	**$ 392**	$ 545
Net cash used in investing activities	**(102)**	—	**(591)**	(1,069)
Net cash provided by (used in) financing activities	**956**	(129)	**1,000**	(51)
Effect of exchange rate changes on cash and cash equivalents	**10**	(1)	**(22)**	(3)
Net increase (decrease) in cash and cash equivalents	**1,011**	152	**779**	(578)
Cash and cash equivalents, beginning of period	**1,000**	1,080	**1,232**	1,810
Cash and cash equivalents, end of period	**$ 2,011**	$ 1,232	**$ 2,011**	$ 1,232
Calculation of free cash flow:				
Net cash provided by operating activities	**$ 147**	$ 282	**$ 392**	$ 545
Purchases of property and equipment	**(88)**	(70)	**(286)**	(208)
Free cash flow **(a)**	**$ 59**	$ 212	**$ 106**	$ 337

(a) Free cash flow, which is a non-GAAP financial measure, is calculated as net cash provided by operating activities reduced by purchases of property and equipment. Free cash flow is useful to management as it is one of the metrics used to evaluate our performance and to compare us with other companies in our industry. However, our calculation of free cash flow may not be comparable to similar measures used by other companies.

Illumina, Inc.
Results of Operations - Revenue by Segment
(Dollars in millions)
(unaudited)

	Three Months Ended			Year Ended		
	January 1, 2023	January 2, 2022	% Change	January 1, 2023	January 2, 2022	% Change
Consolidated revenue	**$ 1,083**	$ 1,198	(10)%	**$ 4,584**	$ 4,526	1 %
Less: Hedge gains	**21**	6		**53**	10	
Consolidated revenue, excluding hedge effect	**1,062**	1,192		**4,531**	4,516	
Less: Exchange rate effect	**(46)**	—		**(137)**	—	
Consolidated constant currency revenue **(a)**	**$ 1,108**	$ 1,192	(7)%	**$ 4,668**	$ 4,516	3 %
Core Illumina revenue	**$ 1,065**	$ 1,193	(11)%	**$ 4,553**	$ 4,519	1 %
Less: Hedge gains	**21**	6		**53**	10	
Core Illumina revenue, excluding hedge effect	**1,044**	1,187		**4,500**	4,509	
Less: Exchange rate effect	**(46)**	—		**(137)**	—	
Core Illumina constant currency revenue **(a)**	**$ 1,090**	$ 1,187	(8)%	**$ 4,637**	$ 4,509	3 %

(a) Constant currency revenue growth, which is a non-GAAP financial measure, is calculated using comparative prior period foreign exchange rates to translate current period revenue, net of the effects of hedges.

Illumina, Inc.
Results of Operations - Revenue by Region
(Dollars in millions)
(unaudited)

	Three Months Ended		
	January 1, 2023	January 2, 2022	% Change
AMR revenue - Core Illumina	**$ 577**	$ 619	(7)%
Less: Hedge gains	**1**	—	
AMR revenue - Core Illumina, excluding hedge effect	**576**	619	
Less: Exchange rate effect	**(1)**	—	
AMR constant currency revenue - Core Illumina **(a)**	**$ 577**	$ 619	(7)%
EMEA revenue - Core Illumina	**$ 301**	$ 350	(14)%
Less: Hedge gains	**14**	4	
EMEA revenue - Core Illumina, excluding hedge effect	**287**	346	
Less: Exchange rate effect	**(25)**	—	
EMEA constant currency revenue - Core Illumina **(a)**	**$ 312**	$ 346	(10)%
Greater China revenue - Core Illumina (b)	**$ 94**	$ 121	(22)%
Less: Hedge gains	**—**	—	
Greater China revenue - Core Illumina, excluding hedge effect **(b)**	**94**	121	
Less: Exchange rate effect	**(10)**	—	
Greater China constant currency revenue - Core Illumina **(a)(b)**	**$ 104**	$ 121	(14)%
APJ revenue - Core Illumina	**$ 93**	$ 103	(10)%
Less: Hedge gains	**6**	2	
APJ revenue - Core Illumina, excluding hedge effect	**87**	101	
Less: Exchange rate effect	**(10)**	—	
APJ constant currency revenue - Core Illumina **(a)**	**$ 97**	$ 101	(4)%
Core Illumina revenue	**$ 1,065**	$ 1,193	(11)%
Less: Hedge gains	**21**	6	
Core Illumina revenue, excluding hedge effect	**1,044**	1,187	
Less: Exchange rate effect	**(46)**	—	
Core Illumina constant currency revenue **(a)**	**$ 1,090**	$ 1,187	(8)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

(a) Constant currency revenue growth, which is a non-GAAP financial measure, is calculated using comparative prior period foreign exchange rates to translate current period revenue, net of the effects of hedges.
(b) Region includes revenue from China, Taiwan, and Hong Kong.

Illumina, Inc.
Results of Operations - Non-GAAP
(In millions, except per share amounts)
(unaudited)

TABLE 1: CONSOLIDATED RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED EARNINGS (LOSS) PER SHARE:

	Three Months Ended		Year Ended	
	January 1, 2023	January 2, 2022	January 1, 2023	January 2, 2022
GAAP (loss) earnings per share - diluted	**$ (0.89)**	$ 0.71	**$ (28.00)**	$ 5.04
Cost of revenue **(b)**	**0.31**	0.25	**1.10**	0.47
R&D expense **(b)**	**0.04**	—	**0.05**	1.30
SG&A expense **(b)**	**0.51**	0.41	**(0.31)**	6.30
Legal contingency and settlement **(b)**	**0.14**	—	**3.94**	—
Goodwill impairment **(b)**	**—**	—	**24.93**	—
Other expense (income), net **(b)**	**0.26**	(0.34)	**0.78**	(6.78)
GILTI and U.S. foreign tax credits **(c)**	**(0.01)**	—	**0.38**	—
Incremental non-GAAP tax expense **(d)**	**(0.31)**	(0.23)	**(0.83)**	(0.31)
Income tax provision (benefit) **(e)**	**0.09**	(0.05)	**0.11**	(0.12)
Effect of dilutive shares **(f)**	**—**	—	**(0.03)**	—
Non-GAAP earnings per share - diluted **(a)**	**$ 0.14**	$ 0.75	**$ 2.12**	$ 5.90
GAAP diluted shares	**158**	157	**157**	151
Non-GAAP dilutive shares **(f)**	**—**	—	**2**	—
Non-GAAP diluted shares	**158**	157	**159**	**151**

TABLE 2: CONSOLIDATED RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME (LOSS):

	Three Months Ended		Year Ended	
	January 1, 2023	January 2, 2022	January 1, 2023	January 2, 2022
GAAP net (loss) income	**$ (140)**	$ 112	**$ (4,404)**	$ 762
Cost of revenue **(b)**	**49**	40	**173**	71
R&D expense **(b)**	**7**	—	**8**	196
SG&A expense **(b)**	**81**	65	**(48)**	952
Legal contingency and settlement **(b)**	**21**	—	**619**	—
Goodwill impairment **(b)**	**—**	—	**3,914**	—
Other expense (income), net **(b)**	**41**	(53)	**124**	(1,024)
GILTI and U.S. foreign tax credits **(c)**	**(1)**	—	**60**	—
Incremental non-GAAP tax expense **(d)**	**(51)**	(38)	**(129)**	(47)
Income tax provision (benefit) **(e)**	**15**	(9)	**19**	(18)
Non-GAAP net income **(a)**	**22**	117	**336**	892
Add: Interest expense on convertible notes, net of tax **(g)**	**—**	—	**2**	—
Non-GAAP net income for diluted earnings per share	**$ 22**	$ 117	**$ 338**	$ 892

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

(a) Non-GAAP net income and diluted earnings per share exclude the effects of the pro forma adjustments as detailed above. Non-GAAP net income and diluted earnings per share are key components of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements

of management’s compensation. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing our past and future operating performance.
(b) Refer to our Itemized Reconciliations between GAAP and Non-GAAP Results of Operations below for the components of these amounts.
(c) Amounts represent the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
(d) Incremental non-GAAP tax expense reflects the tax impact of the non-GAAP adjustments listed.
(e) Amounts represent the difference between book and tax accounting related to stock-based compensation cost.
(f) In loss periods, GAAP basic loss per share and diluted loss per share are identical since the effect of potentially dilutive shares is anti-dilutive and therefore excluded. For non-GAAP diluted earnings per share, the impact of potentially dilutive shares from our convertible senior notes and equity awards is included and is calculated based on the sum of weighted-average common shares and potentially dilutive shares outstanding during 2022.
(g) Amounts represent interest expense on our 2023 Convertible Senior Notes, net of any income tax effects, which is added back to the numerator used to calculate non-GAAP diluted earnings per share, for purposes of the if-converted method, upon the adoption of ASU 2020-06, as it would have a dilutive effect on the calculation of non-GAAP diluted earnings per share.

Illumina, Inc.
Results of Operations - Non-GAAP (continued)
(Dollars in millions)
(unaudited)

TABLE 3: ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Three Months Ended					
	January 1, 2023					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$ 702	65.9 %	$ (26)	$ (4)	$ 672	62.1 %
Amortization of acquired intangible assets	14	1.3 %	34	—	48	4.4 %
Restructuring **(p)**	1	0.1 %	—	—	1	0.1 %
Non-GAAP gross profit **(a)**	$ 717	67.3 %	$ 8	$ (4)	$ 721	66.6 %
GAAP R&D expense	$ 264	24.7 %	$ 85	$ (3)	$ 346	31.9 %
Acquisition-related expenses **(f)**	(1)	(0.1)%	—	—	(1)	(0.1)%
Restructuring **(p)**	(6)	(0.5)%	—	—	(6)	(0.5)%
Non-GAAP R&D expense	$ 257	24.1 %	$ 85	$ (3)	$ 339	31.3 %
GAAP SG&A expense	$ 347	32.6 %	$ 86	$ (1)	$ 432	39.9 %
Amortization of acquired intangible assets	—	—	(1)	—	(1)	(0.1)%
Contingent consideration liabilities **(e)**	(25)	(2.4)%	—	—	(25)	(2.3)%
Acquisition-related expenses **(f)**	(27)	(2.5)%	(4)	—	(31)	(2.9)%
Restructuring **(p)**	(24)	(2.3)%	—	—	(24)	(2.2)%
Non-GAAP SG&A expense	$ 271	25.4 %	$ 81	$ (1)	$ 351	32.4 %
GAAP legal contingency and settlement	$ 21	2.0 %	$ —	$ —	$ 21	1.9 %
Legal contingency and settlement **(d)**	(21)	(2.0)%	—	—	(21)	(1.9)%
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 70	6.6 %	$ (197)	$ —	$ (127)	(11.7)%
Cost of revenue	15	1.4 %	34	—	49	4.5 %
R&D costs	7	0.6 %	—	—	7	0.6 %
SG&A costs	77	7.2 %	4	—	81	7.6 %
Legal contingency and settlement	21	2.0 %	—	—	21	1.9 %
Non-GAAP operating profit (loss) **(a)**	$ 190	17.8 %	$ (159)	$ —	$ 31	2.9 %
GAAP other (expense) income, net	$ (42)	(3.9)%	$ 1	$ —	$ (41)	(3.8)%
Strategic investment related loss, net **(i)**	42	3.9 %	—	—	42	3.9 %
Gain on Helix contingent value right **(j)**	(1)	(0.1)%	—	—	(1)	(0.1)%
Non-GAAP other (expense) income, net **(a)**	$ (1)	(0.1)%	$ 1	$ —	$ —	—

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided. Percentages of revenue are calculated based on the revenue of the respective segment.

Illumina, Inc.
Results of Operations - Non-GAAP (continued)
(Dollars in millions)
(unaudited)

TABLE 3 (CONTINUED): ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Three Months Ended January 2, 2022				
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$ 847	71.0 %	$ (30)	$ —	$ 817	68.2 %
Amortization of acquired intangible assets	7	0.6 %	33	—	40	3.3 %
Non-GAAP gross profit **(a)**	$ 854	71.6 %	$ 3	$ —	$ 857	71.5 %
GAAP and non-GAAP R&D expense	$ 274	23.0 %	$ 76	$ —	$ 350	29.2 %
GAAP SG&A expense	$ 351	29.4 %	$ 76	$ —	$ 426	35.5 %
Acquisition-related expenses **(f)**	(33)	(2.8)%	(20)	—	(53)	(4.4)%
Contingent consideration liabilities **(e)**	(12)	(1.0)%	—	—	(12)	(1.0)%
Amortization of acquired intangible assets	—	—	(1)	—	—	—
Non-GAAP SG&A expense	$ 306	25.6 %	$ 55	$ —	$ 361	30.1 %
GAAP operating profit (loss)	$ 222	18.6 %	$ (182)	$ —	$ 41	3.4 %
Cost of revenue	7	0.6 %	33	—	40	3.3 %
R&D costs	—	—	—	—	—	—
SG&A costs	45	3.7 %	21	—	65	5.5 %
Non-GAAP operating profit (loss) **(a)**	$ 274	22.9 %	$ (128)	$ —	$ 146	12.2 %
GAAP other income, net	$ 44	3.7 %	$ —	$ —	$ 45	3.8 %
Acquisition-related gain **(f)**	(86)	(7.3)%	—	—	(86)	(7.3)%
Strategic investment related loss, net **(i)**	26	2.2 %	—	—	26	2.2 %
Non-cash interest expense **(k)**	8	0.7 %	—	—	8	0.7 %
Non-GAAP other expense, net **(a)**	$ (8)	(0.7)%	$ —	$ —	$ (7)	(0.6)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided. Percentages of revenue are calculated based on the revenue of the respective segment.

Illumina, Inc.
Results of Operations - Non-GAAP (continued)
(Dollars in millions)
(unaudited)

TABLE 3 (CONTINUED): ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Year Ended January 1, 2023					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$3,107	68.2 %	$ (117)	$ (18)	$ 2,972	64.8 %
Amortization of acquired intangible assets	38	0.9 %	134	—	172	3.8 %
Restructuring **(p)**	1	—	—	—	1	—
Non-GAAP gross profit **(a)**	$3,146	69.1 %	$ 17	$ (18)	$ 3,145	68.6 %
GAAP R&D expense	$1,004	22.0 %	$ 330	$ (13)	$ 1,321	28.8 %
Acquisition-related expenses **(f)**	(2)	—	—	—	(2)	—
Restructuring **(p)**	(6)	(0.1)%	—	—	(6)	(0.2)%
Non-GAAP R&D expense	$ 996	21.9 %	$ 330	$ (13)	$ 1,313	28.6 %
GAAP SG&A expense	$1,003	22.0 %	$ 296	$ (2)	$ 1,297	28.3 %
Amortization of acquired intangible assets	(1)	—	(4)	—	(5)	(0.1)%
Contingent consideration liabilities **(e)**	205	4.5 %	—	—	205	4.5 %
Acquisition-related expenses **(f)**	(114)	(2.5)%	(13)	—	(127)	(2.8)%
Restructuring **(p)**	(24)	(0.5)%	—	—	(24)	(0.5)%
Non-GAAP SG&A expense	$1,069	23.5 %	$ 279	$ (2)	$ 1,346	29.4 %
GAAP legal contingency and settlement	$ 619	13.6 %	$ —	$ —	$ 619	13.5 %
Legal contingency and settlement **(d)**	(619)	(13.6)%	—	—	(619)	(13.5)%
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP goodwill impairment	$ —	—	$ 3,914	$ —	$ 3,914	85.4 %
Goodwill impairment **(o)**	—	—	(3,914)	—	(3,914)	(85.4)%
Non-GAAP goodwill impairment	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 481	10.6 %	$ (4,657)	$ (3)	$(4,179)	(91.2)%
Cost of revenue	39	0.9 %	134	—	173	3.8 %
R&D costs	8	0.1 %	—	—	8	0.2 %
SG&A costs	(66)	(1.4)%	17	—	(48)	(1.1)%
Legal contingency and settlement	619	13.6 %	—	—	619	13.5 %
Goodwill impairment	—	—	3,914	—	3,914	85.4 %
Non-GAAP operating profit (loss) **(a)**	$1,081	23.8 %	$ (592)	$ (3)	$ 487	10.6 %
GAAP other (expense) income, net	$ (159)	(3.5)%	$ 2	$ —	$ (157)	(3.4)%
Strategic investment related loss, net **(i)**	117	2.6 %	—	—	117	2.5 %
Loss on Helix contingent value right **(j)**	7	0.1 %	—	—	7	0.2 %
Non-GAAP other (expense) income, net **(a)**	$ (35)	(0.8)%	$ 2	$ —	$ (33)	(0.7)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided. Percentages of revenue are calculated based on the revenue of the respective segment.

Illumina, Inc.
Results of Operations - Non-GAAP (continued)
(Dollars in millions)
(unaudited)

TABLE 3 (CONTINUED): ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Year Ended January 2, 2022						
	Core Illumina		GRAIL	Eliminations	Consolidated		
GAAP gross profit (loss) (b)	$3,195	70.7 %	$ (41)		$	$3,154	69.7 %
Amortization of acquired intangible assets	27	0.6 %	44			71	1.6 %
Non-GAAP gross profit **(a)**	$3,222	71.3 %	$ 3		$	$3,225	71.3 %
GAAP R&D expense	$ 885	19.6 %	$ 300		$	$1,185	26.2 %
Acquisition-related expenses **(f)**	—	—	(196)			(196)	(4.3)%
Non-GAAP R&D expense	$ 885	19.6 %	$ 104		$	$ 989	21.9 %
GAAP SG&A expense	$1,502	33.2 %	$ 590		$	$2,092	46.2 %
Amortization of acquired intangible assets	(1)	—	(1)			(2)	—
Contingent consideration liabilities **(e)**	(4)	(0.1)%	—			(4)	(0.1)%
Acquisition-related expenses **(f)**	(433)	(9.6)%	(513)			(946)	(20.8)%
Expenses related to COVID-19 **(c)**	(3)	(0.1)%	—			(3)	(0.1)%
Income related to COVID-19 **(g)**	1	—	—			1	—
Gain on litigation **(h)**	2	0.1 %	—			2	—
Non-GAAP SG&A expense	$1,064	23.5 %	$ 76		$	$1,140	25.2 %
GAAP operating profit (loss)	$ 808	17.9 %	$ (931)		$	$ (123)	(2.7)%
Cost of revenue	27	0.6 %	44			71	1.6 %
R&D costs	—	—	196			196	4.3 %
SG&A costs	438	9.7 %	514			952	21.0 %
Non-GAAP operating profit (loss) **(a)**	$1,273	28.2 %	$ (177)		$	$1,096	24.2 %
GAAP other income, net	$1,006	22.3 %	$ —		$	$1,007	22.2 %
Acquisition-related gain **(f)**	(985)	(21.8)%	—			(985)	(21.8)%
Strategic investment related gain, net **(i)**	(26)	(0.6)%	—			(26)	(0.6)%
Gain on Helix contingent value right **(j)**	(30)	(0.7)%	—			(30)	(0.7)%
Non-cash interest expense **(k)**	34	0.8 %	—			34	0.9 %
Gain on derivative assets **(l)**	(26)	(0.6)%	—			(26)	(0.6)%
Bridge facility fees **(m)**	7	0.2 %	—			7	0.2 %
Loss on extinguishment of debt **(n)**	1	—	—			1	—
Non-GAAP other expense, net **(a)**	$ (19)	(0.4)%	$ —		$	$ (17)	(0.4)%

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided. Percentages of revenue are calculated based on the revenue of the respective segment.

(a) Non-GAAP gross profit, included within non-GAAP operating profit (loss), is a key measure of the effectiveness and efficiency of manufacturing processes, product mix and the average selling prices of our products and services. Non-GAAP operating profit (loss) and non-GAAP other income (expense), net exclude the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measures related to our Core Illumina and GRAIL segments.

(b) Reconciling amounts are recorded in cost of revenue.

(c) Amount consists of direct and incremental expenses incurred due to the COVID-19 pandemic, primarily expenses related to employee testing and incremental cleaning in 2021. Such expenses were not excluded in 2022.

(d) Amount for Q4 2022 consists of a legal accrual related to our litigation with RavGen, and an adjustment made to our previously recorded legal accrual for the potential fine that the European Commission may impose on us of up to 10% of our consolidated annual revenues, in order to reflect 10% of consolidated annual revenues for fiscal year 2022 rather than 2021. For 2022, the total amount accrued related to this potential fine is $458 million. Amount for 2022 also consists of expense of $145 million related to the settlement of our litigation with BGI.

(e) Amounts consist primarily of fair value adjustments for our contingent consideration liability related to the GRAIL acquisition.

(f) Amounts consist primarily of legal expenses related to our acquisitions. Amounts for Q4 2021 consist primarily of a gain of $86 million recorded as a result of exchanging certain contingent value rights issued as part of the GRAIL acquisition and other acquisition-related expenses. Amounts for 2021 consist primarily of a gain of approximately $899 million related to the fair value adjustment of our previously held interest in GRAIL, approximately $654 million in day one compensation expense related to the GRAIL acquisition, Continuation Payments made to GRAIL totaling $245 million and other acquisition-related expenses.

(g) Amount consists of direct and incremental income due to the COVID-19 pandemic, primarily payroll-related credits earned in the U.S. and Canada in 2021. Such income was not excluded in 2022.

(h) Amount consists of a gain related to a patent litigation settlement.

(i) Amounts consist primarily of mark-to-market adjustments and impairments from our strategic investments.

(j) Amounts consist of fair value adjustments related to our Helix contingent value right.

(k) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash. We adopted ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-10*), on January 3, 2022, using the modified retrospective method. The adoption eliminated the non-cash interest expense related to the conversion feature of our 2023 Convertible Senior Notes beginning in Q1 2022.

(l) Amount represents a gain recorded on our derivative assets in 2021 related to the terminated acquisition with Pacific Biosciences as a result of Pacific Biosciences repaying to us $52 million in Continuation Advances.

(m) Amount consists of expenses related to the bridge facility commitment, which was terminated in 2021 in conjunction with our issuance of term notes.

(n) Amount consists of loss on extinguishment of our 2021 Convertible Senior Notes, which matured in 2021.

(o) Amount consists of goodwill impairment recorded in Q3 2022 related to our GRAIL reporting unit.

(p) Amounts consist primarily of employee severance costs and a lease impairment charge related to the restructuring event that occurred in Q4 2022.

Illumina, Inc.
Results of Operations - Non-GAAP (continued)
(Dollar in millions)
(unaudited)

TABLE 4: CONSOLIDATED ITEMIZED RECONCILIATIONS BETWEEN GAAP AND NON-GAAP TAX PROVISION:

	Three Months Ended January 1, 2023			Year Ended January 1, 2023		
GAAP tax (benefit) provision	**$**	**(28)**	**16.8 %**	**$**	**68**	**(1.6)%**
Incremental non-GAAP tax expense **(b)**		**51**			**129**	
Income tax provision **(c)**		**(15)**			**(19)**	
GILTI and U.S. foreign tax credits **(d)**		**1**			**(60)**	
Non-GAAP tax provision **(a)**	**$**	**9**	**29.3 %**	**$**	**118**	**26.0 %**

	Three Months Ended January 2, 2022			Year Ended January 2, 2022		
GAAP tax (benefit) provision	$	(26)	(30.4)%	$	122	13.8 %
Incremental non-GAAP tax expense **(b)**		38			47	
Income tax benefit **(c)**		9			18	
Non-GAAP tax provision **(a)**	$	21	15.6 %	$	187	17.3 %

(a) Non-GAAP tax provision excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance.
(b) Incremental non-GAAP tax expense reflects the tax impact of the non-GAAP adjustments listed in Table 2 above.
(c) Amounts represent the difference between book and tax accounting related to stock-based compensation cost.
(d) Amount represents the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.

Illumina, Inc.
Reconciliation of Consolidated Non-GAAP Financial Guidance
(unaudited)

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are stated above in this press release. More information on potential factors that could affect our financial results is included from time to time in the public reports filed with the Securities and Exchange Commission, including Form 10-K for the fiscal year ended January 2, 2022 filed with the SEC on February 18, 2022, Form 10-Q for the fiscal quarter ended April 3, 2022, Form 10-Q for the fiscal quarter ended July 3, 2022, and Form 10-Q for the fiscal quarter ended October 2, 2022. We assume no obligation to update any forward-looking statements or information.

TABLE 5: RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED EARNINGS PER SHARE GUIDANCE:

	Fiscal Year 2023
Consolidated GAAP diluted earnings per share (b)	**$0.03 - $0.28**
Amortization of acquired intangible assets	1.23
GILTI and U.S. foreign tax credits **(c)**	0.39
Incremental non-GAAP tax expense **(d)**	(0.40)
Consolidated non-GAAP diluted earnings per share **(a)(b)**	$1.25 - $1.50

(a) Non-GAAP diluted earnings per share excludes the effect of the pro forma adjustments as detailed above. Non-GAAP diluted earnings per share is a key component of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing our past and future operating performance.
(b) Amounts assume that the existing R&D capitalization requirements are not repealed in 2023 and, as a result, reflect an impact of approximately $75 million.
(c) Amount represents the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
(d) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed.

Illumina, Inc.
Reconciliation of Non-GAAP Financial Guidance
(unaudited)

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are stated above in this press release. More information on potential factors that could affect our financial results is included from time to time in the public reports filed with the Securities and Exchange Commission, including Form 10-K for the fiscal year ended January 2, 2022 filed with the SEC on February 18, 2022, Form 10-Q for the fiscal quarter ended April 3, 2022, Form 10-Q for the fiscal quarter ended July 3, 2022, and Form 10-Q for the fiscal quarter ended October 2, 2022. We assume no obligation to update any forward-looking statements or information.

TABLE 6: RECONCILIATION BETWEEN GAAP AND NON-GAAP OPERATING MARGIN GUIDANCE:

	Q1 2023	FY 2023
Consolidated GAAP operating margin	**(4)%**	**4%**
Amortization of acquired intangible assets	5	4
Consolidated non-GAAP operating margin **(a)**	1%	8%

	Q1 2023	FY 2023
Core Illumina GAAP operating margin	**16%**	**21%**
Amortization of acquired intangible assets	1	1
Core Illumina non-GAAP operating margin **(a)**	17%	22%

(a) Non-GAAP operating margin excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measure related to our Core Illumina segment.

Illumina, Inc.
Reconciliation of Non-GAAP Financial Guidance (continued)
(unaudited)

TABLE 7: RECONCILIATION BETWEEN GRAIL GAAP AND NON-GAAP OPERATING LOSS GUIDANCE:

		FY 2023
GRAIL GAAP operating loss	**$**	**(808)**
Amortization of acquired intangible assets		138
GRAIL non-GAAP operating loss **(a)**	$	(670)

(a) Non-GAAP operating loss excludes the effect of the pro forma adjustment as detailed above. Management has excluded the effect of this item in this measure to assist investors in analyzing and assessing past and future operating performance related to the GRAIL segment.

Illumina, Inc.
Reconciliation of Non-GAAP Financial Guidance (continued)
(unaudited)

TABLE 8: RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX RATE GUIDANCE:

	Fiscal Year 2023	
	Current (b)	**If repealed (c)**
Consolidated GAAP tax rate	**83 %**	**6 %**
Non-GAAP tax adjustments **(a)**	(47)	9
Consolidated non-GAAP tax rate	36 %	15 %

(a) Non-GAAP tax adjustments reflect the tax impact related to the non-GAAP adjustments listed above in our "Reconciliation Between GAAP and Non-GAAP Diluted Earnings Per Share Guidance." Management has excluded the effect of these items in this measure to assist investors in analyzing and assessing past and future operating performance.
(b) Amounts assume that the existing R&D capitalization requirements are not repealed in 2023 and, as a result, reflect an impact of approximately $75 million.
(c) Amounts assume that the existing R&D capitalization requirements are repealed in 2023.